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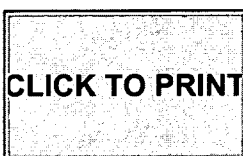
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Opening Remarks by Senator Max Baucus
e-merica: how to leverage winning e-business strategies
University of Montana School of Business Administration and Montana World Trade Center
July 30, 2000

OUTLINE of Opening Remarks

- A. Introduction
- B. History of the Pace of Change
- C. The Development of the World Wide Web
- D. e-Commerce and Globalization
- E. Telecommunications Infrastructure
- F. Government Role in e-Commerce
- G. e-Commerce and China
- H. What e-Commerce means for Montana
- I. Economic Development using e-Commerce
- J. Concluding Remarks

Good evening. For many of you here tonight, welcome to Big Sky Country and the University of Montana campus. Missoula is the place I got started in politics. And I love to come home to this place we call the Garden City.

I'm delighted to kick off this third annual e-commerce conference: **"E-merica: How to Leverage Winning E-Business Strategies."**

INTRODUCTION

I'm always pleased to participate in programs at the Montana World Trade Center. I'm a big supporter of the Center and the work that Arnie Sherman does to help Montana businesses compete globally.

In fact, members of the World Trade Center have participated in trade missions that I have organized to Asia and South America. I also want to compliment my friend, Dean Larry Gianchetta, for his continued commitment to this conference and World Trade Center. This Center is the only center of its kind that is attached to the University. And Larry has had much to do with that.

For the next few days, we're here to discover how our businesses can become more competitive through the power of the Internet. This is crucial to America's economy, and especially to Montana's economy.

Just as we discussed at my Economic Development Summit last month in Great Falls, no business can afford to ignore the impact of the Internet. Internet traffic doubles every 100 days. Fifty to 70 million people are on the Internet at any point. Current estimates put Internet sales as high as \$1.3 trillion by 2003.

That's a lot of business folks. I don't intend to have Montana miss the train. It's moving quickly down the track.

The Rapid Development of the World Wide Web

In 1995, it was estimated that between one and two million people in the United States used the Internet for some form of commercial transaction. By the next year, Internet traffic, including e-Commerce, was doubling every 100 days!

One of the fastest growing sectors of e-commerce is business-to-business transactions. By 2003, it is estimated that this sector of the U.S. economy will reach \$1.5 trillion, up from \$131 billion in 1999.

E-Commerce and Globalization

The potential offered by this new technology will have as profound an effect on our lives as the technology that brought us into the industrial age a century ago. New information and communication technologies are linking domestic producers to global consumers, creating a single world market.

Let me talk about this process and some of the issues it raises at both the national level and the international level, and finally at the state level.

The Internet is integrating every aspect of American economy into foreign markets.

This happens to companies of all sizes.

Lou Gerstner, head of IBM, said that the Internet is the great leveler between big and small companies.

Why? Because the Internet makes it easier and cheaper for all businesses to transact business and exchange information. Even small companies now customize their products for specific markets.

That's not just smart business. In many cases it's *necessary* for long-term survival.

This competition is healthy. We need to encourage it. Any American company, large or small, that's not prepared to face global competition, is in trouble.

We have to work faster and smarter than ever before.

We need constant access to the latest information. Information about consumer tastes, information about price changes, information about new production methods, information about the weather.

But, while creating tremendous opportunities, e-commerce also imposes tremendous discipline.

On the retail level, customers have access to price and product information from many sources. We've seen the impact of this in several retail sectors. Travel services, including routing and ticketing have expanded significantly. So has flower delivery.

In wholesale markets, online exchanges provide industry-wide pricing and open market information at a fraction of physical-world cost. Aggregators are building one-stop shopping mall to help geographically dispersed buyers and sellers find each other fast.

Telecommunications Infrastructure

But people need the right tools. I still find it incredible that Montana's nearest "on ramps" to high-speed Internet access are in Wyoming and Washington state.

With high-speed broadband communications, a business in Billings can compete for electronic commerce on an equal footing with businesses in New York City or Los Angeles. Working with the Montana University system and state and national businesses, I hope to continue to build Montana access to high-speed Internet connections.

We're working in Washington, D.C., to help with the rollout of broadband. I successfully amended the Senate-passed Rural Local TV bill. This gives consideration to projects that will offer broadband Internet services along with local television broadcasts. That's good for rural states like Montana.

The Rural Local TV bill creates a loan guarantee program to provide low cost financing to provide local-into-local television broadcasting in rural areas.

If we want to compete in the 21st Century, we need to invest in our high-tech communications infrastructure.

This will be especially important to developing Montana's 100,000 small businesses.

Government Role in e-Commerce

There are some areas where Governments must be involved -- tariffs, taxes, consumer protection and commercial law. In those areas, our goal should be to support and enforce a consistent and simple legal environment. Where government intervention is necessary, its goal should be to ensure competition and prevent fraud.

The Internet Tax Freedom Act that we passed in 1998 is a good example of the kind of hands-off action governments should take to keep the Web growing domestically. But there are also things we should do internationally.

E-Commerce and China

Now, I can't discuss e-commerce without discussing international trade. And, I can't discuss international trade without discussing China. I've been working hard to get China into the World Trade Organization and give them Permanent Normal Trade Relations status.

This is vital for our national interests to take advantage of new trade and economic opportunities in China. It's also important for Montana because of enormous export opportunities for our Montana industries. Especially agriculture.

One of the benefits of granting China PNTR status is that American companies involved in e-commerce will be able to invest and provide service in China. The Chinese government recognizes the power of the Internet to make their industries more competitive.

However, like most non-democratic governments, they want to control access to the Internet and monitor content. They're learning quickly that it just doesn't work that way.

I think there will be good opportunities for Montana firms to market our products to China over the Internet. This should also be a wonderful opportunity for Montana.

What This Means for Montana

Connecting to the Web will unleash a powerful force and American companies will be in the right place.

I hope that a lot of those companies will be located here in Montana.

For years, the expansion of Montana's economy has been hindered by distance. Electronic commerce allows your companies to compete in national and global markets no matter where they are. This will spur Montana's economic development – create good jobs.

High-tech is Montana's best chance to turn the economic corner and strengthen our economy. It erases our disadvantages -- distance and access to markets nationwide and overseas.

To do that, we need to focus on our main resource:
Montana. We need to improve on three fronts:

- 1) Gaining access to affordable, reliable high-speed Internet access;
- 2) Attracting investment capital to help build our start-up companies;
- 3) Increasing general awareness of the advantages of e-commerce.

There are probably many of small businesses, including ag producers, that are interested in e-commerce. They are prime candidates for engaging in e-commerce, but they just don't know where to start. Education of our current business sector needs to be a key part of any strategy.

Economic Development

Just a month ago I held an economic development summit in Great Falls. Many of the suggestions from the summit addressed just these issues. More than 1,000 attended. There was much enthusiasm and energy. Great ideas evolved.

And, technology was a large component of the two-day event.

To follow up, I'm forming a group to work with ideas that came out of the summit. I plan to keep the momentum going. High-tech and e-commerce will be the agenda of this group.

I named Tom Scott -- chairman of First Interstate BancSystem -- chair of the group. Tom will choose other members in the near future. This group will be private sector driven. It will focus on solutions that arise from the local communities.

The group then will make recommendations for improving Montana's economy in several areas -- including e-commerce -- to the Congressional delegation, the new governor, and the incoming legislature. The most important point: we need to keep the momentum going so we can close Montana's economic divide and create good paying jobs here at home.

Conclusion

E-Commerce is changing our lives. As it becomes global, Montana and America needs to be a part of the transition.

This means:

- Increasing business-to-business transactions.
- Creating a single world market.
- Improving broadband communications.
- Granting PNTR to China.
- Connecting Montana to the World Wide Web.
- And, not only participating in e-commerce development, but encouraging it!

Conferences like these are a good beginning. I commend you on your participation. We have to make these conferences count in order to continue to move this state and country forward. Thank you, and I welcome your questions.